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reissue was broader than the original patent or invention,—a decision that is difficult of reconciliation with the decisions of that court on reissued patents before and since.

It is true, as Mr. Smith shows, that that patent has done much to create hostility to our patent system,—more, perhaps, than any other event that has taken place in connection with the system since its first establishment; and we all rejoice that it is now out of the way.

W. C. DODGE.

WASHINGTON, D.C.

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### RECENT PROGRESS OF PROFIT-SHARING ABROAD.

The past three years have witnessed remarkable progress in the adoption of profit-sharing in Great Britain. For some years after 1875 the adverse influence of the famous Whitwood colliery experience stood in the way of further experiments. In his work on *Profit-sharing between Employer and Employee*, Mr. Gilman, after noting the “small number of private firms in England now conducted on the profit-sharing plan,” went on to say: “A turn in the tide has, however, taken place. . . . We may expect, then, to see a renewal of experiments in industrial partnerships by common business firms.”\* This was written in 1888, and the prophecy has been amply fulfilled. Since then twenty-eight firms have adopted the system, thus more than doubling the number using it, and giving it a rate of progress unparalleled in its history.

The Parliamentary Report on the subject published last January gives a full account of the present condition and recent progress of the movement in England, with some notes on the system in France and elsewhere. The Report gives a list of forty-seven firms in Great Britain who use the plan of pure, as distinguished from indeterminate, profit-sharing. Four of these adopted the system in 1888,† six in 1889, and

\* Page 291.

† These are in addition to those given by Mr. Gilman for 1888.

twenty in 1890. The number of employees affected aggregates 7,694 for the twenty-five firms for which the numbers are given.

The progress of several of the firms which Mr. Gilman recorded\* as practising profit-sharing in Great Britain at the time he wrote is indicated in the Report, and is interesting as showing the working success of the system. The number of employees participating in profits with the firm of Cassell & Co., publishers, has increased 100 within two years. The average annual payments have been over £914, and in 1889 the provident fund amounted to over £9,000. The participants in the firm of Hazell, Watson & Viney, printers, have increased from 300 to 1,200, and the average labor dividend for the past two years has been £605. Bushill & Sons, printers, have made a gain of 50; and W. A. Hartley, of Liverpool, gained 300. Blundell, Spence & Co. report a decrease of 30 participants; but for the year ending March, 1890, they divided among their 310 workmen £1,027. In the case of the famous Huddersfield experiment in the "Woodhouse Mills," from which Mr. Gilman hoped so much, the number of participants is given in the Report as 150. Mr. Gilman gave it as 404, so that there has, apparently, been a partial failure here. The Report mentions nine firms as employing the system in 1888, in addition to the seven given by Mr. Gilman.

On the whole, then, the history of profit-sharing firms already established in England has been one of progress during the last two or three years. But the most remarkable point in the growth of the system is the great number of firms by whom it has recently been adopted for the first time. Twenty new firms began it in 1890. The most notable of these cases is, perhaps, that of the South Metropolitan Gas Company of London, employing about 3,500 men in winter and about 2,000 in summer. The company proposed that every workman should receive a percentage on his wages, regulated by the price charged for gas on a sliding scale, at the rate of 1 per cent. for every penny reduction in the cost per 1,000 feet of gas below 2s. 8d. That is, when the cost of gas is 2s. 8d. per

\* *Profit-sharing*, p. 385.

1,000 feet, no bonus is given. When gas costs 2s. 7d. per 1,000 feet, the workman receives one per cent. on his wages; when it goes to 2s. 6d., he gets 2 per cent.; and so on. The system was started by a gift from the company to every workman regularly in their employ on June 30, 1889, who should sign an agreement to remain in their employ for three months. This gift was 2 per cent. on his wages for the year ending June, 1887, 3 per cent. for the next year, and 4 per cent. for the third. This amount of 9 per cent. on one year's wages was placed to the workman's credit on the company's books, to remain in their hands at 4 per cent. interest for five years. By June, 1890, about 1,500 men were qualified to profit by the scheme, and received £5,377 in addition to their wages. The shares may be withdrawn in cash or left at interest with the company. There is a committee of management, consisting of the chairman of the Board of Directors, nine members elected by the board, and nine chosen by the employees. The officers of the company say that good results are already manifest. There is greater diligence among the men, they make suggestions for reducing expense, and, in general, they show a deeper interest in their work.

Clarke, Nickolls & Coombs, confectioners, of London, are another important addition to the list of profit-sharing firms. They pay over £30,000 a year in wages, and employ 1,000 men. Their plan is as follows: Net profits over 6 per cent. on capital are divided equally between the shareholders and employees. All who have spent one calendar year in the employ of the firm receive their bonus in cash. The bonuses of the others are invested in the stock of the company and set aside to form a provident fund. The bonus is proportioned to wages. No restrictions whatever, except the one year's period of employment, are laid on the workmen.

Another important firm adopting the profit-sharing policy in 1889 is that of W. D. & H. O. Wills, tobacco manufacturers, of Bristol. They employ about 1,000 hands. In 1889, 11½ per cent. was paid on the wages and salaries of the year.

These instances are typical of the recent revival of interest in the profit-sharing system in England. An examination of the provisions for division of profits shows that of the sixteen

new adherents of the policy in 1890, for whom returns are given, eleven paid the extra remuneration to the laborers wholly in cash, three paid part in cash and part to a provident fund, one paid all to a provident fund, and one paid in shares of the company. This reveals a great change in the mode of application of the system in England. The "stock system," that one which has in view making the workmen ultimately partners in the business, was long the most popular. But the recent cases show a rapid growth of the cash-payment system. This is the policy which has obtained in the United States. France has all along adhered mainly to the provident-fund form. The prevalence of different methods in the different countries is doubtless due to a variety of causes. In the United States the ascendancy of the cash-payment system is, perhaps, mainly due to the greater education of workmen, to their greater independence and self-reliance, and to the wide-spread system of savings-banks, which render unnecessary the care of the employer in providing a means of investment. If these reasons are correct, the change that has taken place in the mode of payment in England would seem to indicate a higher level of education and more general self-reliance on the part of the workmen than has hitherto prevailed. And the interesting question is suggested whether this is not one of the first-fruits of the more excellent system of popular education that went into operation some fifteen years ago. It certainly seems that the average English workingman of the younger generation is better informed and more intelligent than his father, and his independence and self-reliance seem greater. Indeed, the extension of the profit-sharing system is itself a sign of increasing education and intelligence.

It is interesting to notice the extension of the system in agriculture, a field in which it has hitherto had but a limited application. The New Zealand Farmers' Co-operative Association is mentioned in the Report, but no details are given. In England itself the system has been introduced on the "Trafalgar" estate, owned by Mr. George Holloway, M.P. The estate contains one thousand acres, tithe free, at a rent of £375 a year. The stock, tools, working capital, etc., are valued at nearly £5,000, on which 5 per cent. per annum is

charged until the amount is repaid. Mr. Holloway is to pay current wages. If the profits reach 5 per cent. per acre, "those who have been employed not less than six months of the year will share in any profit that has been made during the year in exact proportion to the amount of wages received." The amount due each person is to be credited to him in the farm accounts, and will bear interest at 5 per cent. until withdrawn. The amounts thus credited are to be applied to pay off Mr. Holloway's loan. Any member withdrawing from the scheme forfeits one-fourth of the amount due to him. As soon as the capital of £5,000 is paid back, all future profits go to the workmen in cash, in proportion to the amount contributed by each to pay off the debt. The owner will then continue to draw only his rent of £375. The plan bears some points of resemblance to Godin's system at Guise.

In France, the original home of profit-sharing, the system has continued to extend. The famous old establishments are in a flourishing condition still. At Godin's celebrated institution there are now some 1,600 hands, 961 of whom received additions to their wages in 1889. This is on the stock system. The Piat Iron Foundries, at Paris and Soissons, paid 4 per cent. of wages in 1889 to 206 employees. The celebrated paper manufactory of M. Laroche-Joubert has a capital of nearly £200,000, and employs about 1,500 persons. During the ten years, 1879-1889, it paid £44,880 in dividends on wages.

There have recently been some changes in the famous Maison Leclaire. M. Marquot, M. Leclaire's old secretary, died last December; and, in supplying his place in the management, the remaining partners doubled the capital. The benefit society and M. Redouly, the surviving partner of the old *régime* doubled their shares, and the remaining 25 per cent. was subscribed by two new partners. The total capital now is 800,000 francs. The principles laid down by the founder of the house with reference to profit-sharing are strictly adhered to. According to the present organization, 5 per cent. of gross profits goes to capital, and the remainder is divided between "labor," "management," and the benefit society in the proportion of 50, 25, and 25 respectively. In 1889, 228,000 francs

were paid over in cash to 959 participants, who also drew in wages 1,085,230 francs.

Of new profit-sharing firms in France, the Report gives one under date of 1889, five under date of 1890, and nine others without date. As these are not given in Mr. Gilman's list, it is likely that they have adopted the system since he wrote. The total number of profit-sharing firms is given as seventy-nine,—an increase of twenty-two in three years.\* But firms using the indeterminate system are included.

Profit-sharing has had to win its way against the prejudices of employers and the ignorance and impatience of workingmen. It has also had to contend with the influence of labor organizations. On this point the Report says: "The organizations of workingmen which have obtained such great influence in recent years, and might be supposed the best representation of their interests, are not advocates of profit-sharing. On the contrary, their attitude, while not affirmatively hostile, is unsympathetic." The main reason seems to be that expressed at the Liverpool Congress of Workingmen, where it was declared that "it would be difficult to consolidate organization in any body where a system of deferred pay, either in the form of pensions or perquisites, prevailed." Of course, this refers to organization for the purpose of coercing employers, as by means of strikes. So far as these are used to secure higher wages, profit-sharing probably tends to diminish their number. But it does so by removing their cause; for profit-sharing is to supplement, not to replace, wages. And "the just regulation of current wages is one of the conditions precedent to the efficient working of a profit-sharing system." Moreover, the regulation of wages may still remain a function of the labor union.

Still, it would be rash to say that the labor organizations are wholly wrong in their opposition. For opposition to a reduction of wages might, conceivably, be lessened by the knowledge, on the part of the workingmen, that their opposition would cause them the loss of their surplus, and that under profit-sharing the net reduction would be less than otherwise. And, again, the policy has not been tried sufficiently to show

\* See Gilman's *Profit-sharing*, p. 390. Of course, this is on the supposition that Mr. Gilman's list is complete.

whether this induced conservatism might not furnish opportunity for oppression on the part of unscrupulous employers. Nor are the social possibilities of the system sufficiently clear to merit unqualified approval. In the line of social results, the stock system would seem to promise most. This gradually makes the laborers part-owners of the business, and tends, therefore, to the establishment of limited co-operation. It is not a fair objection to this method to say that the object of profit-sharing is not to increase the number of capitalists, but to better the relations of capital and labor. The improvement of these relations is not the ultimate end: that is the evolution of better social relations in general. If that object can be better attained by the replacement of the present system with another rather than by its mere improvement, whatever helps to bring that replacement about must be welcomed. Certainly, experience shows that profit-sharing opens the way to some improvements, even if it does not justify the enthusiastic remark of Von Thünen, that it is "the only salvation of the laboring class."

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#### AMERICAN JUDGES AND THE INTERESTS OF LABOR.

In a few words of introduction to a valuable "Report on Social Legislation in the United States for 1889 and 1890," published in the *Economic Review* for April, by Mr. L. S. Merriam of the Johns Hopkins University, Professor Richard T. Ely makes the following observations about American judges and lawyers:—

One other fact must be borne in mind in every consideration of social legislation in the United States, and that is the influence which our constitutional system gives to judges. Our judges not only interpret laws, but annul laws which conflict either with State constitutions or the federal constitution. When one reflects upon the vague and general character of these many instruments, and of the various interpretations which may be given to many of their provisions, one becomes aware that judges are our supreme rulers. We have, to an extent unknown